

Message Text

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TO SECSTATE WASHDC IMMEDIATE 5138

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AMEMBASSY LA PAZ

AMEMBASSY QUITO

C O N F I D E N T I A L LIMA 3973

EO 11652: GDS

TAGS: BDIS, ENRG, EINV, EGEN, PFOR, PE

SUBJECT: GULF EXPROPRIATION - GOP MOTIVES AND POSSIBLE
EFFECTS,

REFS: LIMA 3950

1. THERE FOLLOWS OUR PRELIMINARY ASSESSMENT OF MOTIVATIONS FOR AND IMPLICATIONS OF GOP EXPROPRIATION OF GULF OIL SUBSIDIARY HERE.

2. WE CAN ONLY SPECULATE AS TO MOTIVATION. GULF DEL PERU HAS ENJOYED CORDIAL RELATIONS WITH PERUVIAN AUTHORITIES AND PETROPERU SINCE ITS ESTABLISHMENT HERE IN 1967, AND EXPROPRIATION CAME AS COMPLETE SURPRISE. STATEMENTS AND COMMENTARY ON PART GOP AND IN GOP-CONTROLLED PRESS ON GULF'S \$4.2 MILLION PAYOFF SCANDAL, WHILE HEAVY-HANDED AND MORALISTIC, CARRIED ABSOLUTELY NO IMPLICATION THAT SUCH A MOVE WAS INTENDED. POSSIBLE MOTIVATIONS, NONE OF
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WHICH ARE COMPLETELY SATISFACTORY, MIGHT HAVE INCLUDED:

A. GOP MAY IN FACT FELT SENSE OF MORAL OUT-RAGE WHICH CAUSED IT TO ACT AGAINST COMPANY WHICH HAD INJURED OTHER LATIN AMERICAN COUNTRIES. MILITARY GOVERNMENT OF ARMED FORCES LIKES TO THINK OF ITSELF AS PURITANICAL AND MAY HAVE REASONED THAT WHAT GULF WAS CAPABLE OF DOING ELSEWHERE IT IS CAPABLE OF DOING HERE. AS SEPARATELY REPORTED, GENERAL MANAGE OF PERTOPERU TOLD LOCAL GULF MANAGER THAT PERTOPERU, AND PRESUMABLY GOP, WERE UNCOMFORTABLE OVER COINCIDENCE OF \$4.2 MILLION WITH AMOUNT OF LOANS GULF HAS MADE TO PERTOPERU, WHICH ALSO TOTALED \$4.2 MILLION. (COMMENT: THIS IS AT BEST ONLY PARTIAL EXPLANATION. GOP HAS NOT BEEN FREE OF SCANDAL, AND SEVERAL MINISTERS LIVE OPENLY BEYOND THEIR MEANS. GULF'S REPUTATION LOCALLY WAS VERY GOOD.)

B. GOP MAY HAVE REASONED THAT THIS GRANDSTAND PLAY WOULD STRENGTHEN ITS CREDENTIALS IN LATIN AMERICA AND THIRD WORLD WITHOUT COSTING IT VERY MUCH. WITH U.S. PERCEIVED AS ON THE RUN IN SOUTH EAST ASIA, A BLOW AT THE U.S. WITHIN PERU PERMITS THE GOP TO CLAIM THAT IT, TOO, HAS A HAND IN THE STRUGGLE AGAINST IMPERIALISM. FURTHER, IT COINCIDES WELL WITH GENERAL ANTI-U.S. CAMPAIGN PERU IS PRESENTLY CONDUCTING. FINALLY, MOVE MAY BE A REACTION, AT LEAST SUBLIMINALLY, TO TWO OFFICIAL U.S. PROTESTS LAST WEEK OVER PERU'S OAS TACTICS AND VELASCO'S FULSOME CONGRATULATIONS TO VIET CONG. WE HAVE REASON TO BELIEVE THESE PROTESTS ANNOYED THE GOP, AND GULF EXPROPRIATION WAS ONE WAY OF STRIKING BACK. IN TERMS OF COST, GULF ASSETS HERE TOTAL AT MOST \$2 MILLION, AND GULF IS NOT ENGAGED IN EXPLORATION. EXPROPRIATION WILL CREATE NO GREAT FINANCIAL BURDEN FOR GOP NOR DIRECTLY DETER SEARCH FOR JUNGLE OIL. (COMMENT: THIS EXPLANATION, HOWEVER IRRATIONAL, MAY COME CLOSEST TO THE TRUTH.)

C. GULF EXPROPRIATION FITS WELL WITH GUIDELINES OF PLAN INCA WHICH CALLS FOR ALL PETROLEUM ACTIVITIES TO BE STATE OWNED. DOING AWAY WITH SMALL NUMBER OF GULF SERVICE STATIONS WOULD REMOVE LAST SYMBOL OF FOREIGN PETROLEUM PRESENCE. (COMMENT: THIS IS LEAST LIKELY EX-CONFIDENTIAL

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PLANATION. THERE WERE MANY OTHER WAYS FOR GOP TO ACCOMPLISH THIS OBJECTIVE, AND LOCAL GULF MANAGER HAD BEEN TOLD ONLY A FEW DAYS BEFORE THAT PERTOPERU WISHED TO CONTINUE ITS RELATIONS WITH GULF ON SAME BASIS AS IN THE PAST.)

3. IMPLICATIONS OF EXPROPRIATION ARE EQUALLY SPECULATIVE AT THIS POINT:

A. REASONS FOR EXPROPRIATION ADVANCED BY GOP, CONSTITUTING AS THEY DO THE SANCTIONING OF A FOREIGN COMPANY FOR ALLEGED IMPROPRIETIES THAT HAVE NOT DAMAGED PERUVIAN INTERESTS, REPRESENT AN ARBITRARY AND CAPRICIOUS INTERPRETATION OF INTERNATIONAL LAW. USING THIS REASONING, PERU COULD ALSO "EXPROPRIATE" BRANIFF, OFFICIALS OF WHICH HAVE ALSO BEEN ACCUSED OF IMPROPER ACTIVITIES IN THE U.S. OTHER U.S. COMPANIES ACTIVE IN PERU (NORTHROP, OCCIDENTAL) MAY FIND THEMSELVES SIMILARLY IMPLICATED AS RESULT OF INVESTIGATIONS CONDUCTED IN THE U.S. IF PERU IS CONSISTENT, OTHER EXPROPRIATIONS COULD BE FORTHCOMING.

B. PERU'S RATIONALE FOR ITS ACTION COULD BE ADOPTED BY OTHER COUNTRIES AS A PRECEDENT, AT LEAST BY SOME OF THE MORE RADICAL MEMBERS OF THE THIRD WORLD. IT MAY ALSO SERVE TO EXCITE SOME SECTORS OF OPINION IN VENEZUELA, ECUADOR AND BOLIVIA TO PRESS THEIR GOVERNMENTS TO BE AS JINGOISTIC AS PERU. PERU'S ACTION COULD BE EMBARRASSING FOR THOSE OFFICIALS OPTING FOR A MORE MODERATE COURSE.

C. GOP ACTION WILL FURTHER UNDERMINE FOREIGN INVESTOR CONFIDENCE IN PERU. GIVEN THE PRECARIOUS STATE OF PERUVIAN PETROLEUM PROSPECTS, MOVE COULD HAVE A DIRECT AFFECT ON OCCIDENTAL'S PIPELINE NEGOTIATIONS WHICH ARE AT A DELICATE STAGE (LIMA 3858) AS WELL AS CAUSING OTHER FOREIGN OIL COMPANIES TO RECONSIDER THEIR PLANS FOR FURTHER EXPLORATION (LIMA 3839). MOVE WILL ALSO GENERATE FURTHER DOUBT IN INTERNATIONAL FINANCIAL AND BANKING CIRCLES ABOUT PERU'S CREDITWORTHINESS AND ITS RELIABILITY IN TERMS OF HONORING ITS COMMITMENTS IN A SYSTEMATIC FASHION. HERE, MUCH WILL DEPEND ON HOW PERU PROCEEDS WITH COM-
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PENSATION.

D. LAST BUT NOT LEAST, THIS DRAMATIC MOVE IS PURE VELASCO, AND DEMONSTRATES THAT DESPITE HIS ILLNESS HE IS STILL CAPABLE OF LEADING THE PERUVIAN REVOLUTION ON ITS LEFTWARD, NATI-U.S. COURSE. HE IS WILLING AND ABLE TO DIRECT THE UNEXPECTED, EVEN ERRATIC "REVOLUTIONARY" ACTION DESPITE WHAT MUST BE THE BETTER JUDGEMENT OF AT LEAST SOME OF THE SENIOR OFFICERS AROUND HIM, SUCH AS PRIME MINISTER MORALES BERMUDEZ.
DEAN

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